NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE **Contact: Mitchel Benson**
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CALIFORNIA TREASURER ANGELIDES, CHIEFS OF CALIFORNIA'S PENSION FUNDS, CALL ON NYSE'S CHAIRMAN GRASSO TO RESIGN

In a letter, Angelides and pension chiefs tell Grasso that his recently disclosed $140 million compensation package 'set back critical efforts' to restore public's faith in financial markets

SACRAMENTO, CA – California State Treasurer Phil Angelides and the heads of the State's two large public pension funds today called on embattled New York Stock Exchange Chairman Richard Grasso to resign, saying the recent disclosure of his nearly $140 million compensation package has "shocked the investing public and set back critical efforts to restore the public's faith in our financial system."

In a letter to Grasso released today, Angelides – joined by Sean Harrigan, president of the California Public Employees' Retirement System (CalPERS), and Jack Ehnes, chief executive officer of the California State Teachers' Retirement System (CalSTRS) – also called on Grasso and the 27-member NYSE board to work jointly to revise the chairman and chief executive officer's package of salary and benefits, in conjunction with Grasso's resignation, "to a level that is rational and appropriate, in order to restore the public's faith in the integrity of the NYSE and America's financial institutions."

Angelides and the others wrote that the size of Grasso's compensation package, and the process by which the NYSE board approved the package, "fly in the face of the fundamental principles of good corporate governance and responsibility that are so vital to sustaining our future economic prosperity." CalPERS and CalSTRS are the nation's first and third largest public pension funds, with combined assets of more than $240 billion. Angelides sits on the board of both pension funds.

The Treasurer, Harrigan and Ehnes said they were particularly troubled that the most substantial amounts paid under Grasso's compensation package were for the time period during which the NYSE and the nation's other markets were being pummeled by the worst string of corporate scandals since the market crash of 1929.

"We do not believe that Mr. Grasso can continue to lead the New York Stock Exchange," Angelides said. "And, if he remains, we doubt that the New York Stock Exchange will have the requisite moral authority to provide the critical leadership needed in the area of corporate reform."

Harrigan, president of the CalPERS board, added, “At a time in our history when the New York Stock Exchange should be a model for the best corporate behavior, we are shocked and dismayed at the “anybody but us” philosophy that led to the outrageous compensation of Dick Grasso.”

At CalSTRS, said CEO Ehnes, the pension fund “is actively working to halt financial practices that erode the confidence in our financial markets. But our efforts are wasted if the head of the nation’s leading financial marketplace can’t set the example we expect from corporate America. Mr. Grasso’s pay package is in the stratosphere and is flat-out wrong.”

The furor over Grasso’s compensation package erupted last month, when Grasso notified William Donaldson, the chairman of the Securities and Exchange Commission and himself a former NYSE chief executive officer, that the NYSE board was extending Grasso’s contract from 2005 to 2007 and paying him $139.5 million in deferred compensation. Donaldson then requested background material on the compensation package and the board’s decision. The board has since made public 1,200 pages concerning the package and the discussions leading up to it. Those documents revealed that the pay package included a previously undisclosed $48 million payment, which Grasso has said he would decline.

PHILIP ANGELIDES
Treasurer
State of California

September 16, 2003

Richard A. Grasso
Chairman and Chief Executive Officer
New York Stock Exchange
11 Wall Street
New York, NY 10005

Dear Mr. Grasso:

We are writing to express our deep concern about your compensation package at the New York Stock Exchange (NYSE) and about the process by which the package was approved. Specifically, in light of events of the past two weeks, we wish to express our view that it has become necessary for you to resign from your position as Chairman and Chief Executive Officer of the New York Stock Exchange.

The recent disclosure of your compensation agreement with the NYSE has shocked the investing public and set back critical efforts to restore the public's faith in our financial system, in the aftermath of scandals that have shaken the very foundations of our financial institutions, damaged our economy, and harmed millions of Americans.

In our respective roles as California's Chief Investment Officer and fiduciaries of the California Public Employees' Retirement System and the California State Teachers' Retirement System – the first and third largest pension funds in the nation, with combined assets of over $240 billion – we have taken a number of actions during the past year to help assure that our financial markets operate with integrity, transparency, and fairness. We have actively advanced an agenda of corporate reform to restore the faith and confidence in our financial system so necessary for this nation's continued economic progress.

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For example, we have told investment banks and money managers that they must meet tough conflict of interest and disclosure rules or risk losing the right to do business with our State and its pension funds. We have taken action to curb the irresponsible corporate practice of expatriation, whereby publicly traded companies relocate – in name only – to tax havens such as Bermuda and the Cayman Islands to avoid taxes and weaken shareholder rights. And, we have adopted tough standards by which the pension funds will vote to support only fair, rational, and broad-based equity compensation plans to restore an important sense of fairness to the American economy.

Given your role as Chairman and Chief Executive Officer of the nation's largest stock exchange, the amount of your pay package (reported as at least approximately $140 million) and the process by which this package was approved, fly in the face of the fundamental principles of good corporate governance and responsibility that are so vital to sustaining our future economic prosperity. The pay package sends the wrong signal at this critical time when public and private sector leaders must be steadfast in their commitment to restoring the credibility of our financial markets. It is particularly troubling that the most substantial amounts paid under the agreement were for a time period when the NYSE fell short of its central regulatory mission, as Americans endured the greatest wave of corporate scandals since the market manipulations of the 1920s.

Because the NYSE must play a critical role in protecting investors – by regulating its broker dealer membership and establishing standards for companies listed on the Exchange – we seriously question whether you are able to continue to effectively lead this important financial institution and whether, if you remain in your current position, the NYSE will have the requisite moral authority to provide critical leadership in the arena of corporate reform.

There remain many questions about your compensation package and the process under which it was reached. With the most recent revelation of an additional $48 million in previously undisclosed compensation, it is all the more important to rapidly and openly resolve all remaining questions.

In light of all that has occurred, it is our belief that it would be in the best interest of the NYSE, investors, and our nation's financial markets for you to resign from your position. Equally as important, we believe that the NYSE Board and you must, in conjunction with your resignation, revise your pay package to a level that is rational and appropriate, in order to restore the public's faith in the integrity of the NYSE and America's financial institutions. Only then will the NYSE be able to resume its role as a credible leader in our financial markets.

Thank you for your consideration.

Sincerely,

Sean Harrigan
President, Board of Administration
California Public Employees' Retirement System

Philip Angelides
Treasurer
State of California

Jack Ehnes
Chief Executive Officer
California State Teachers' Retirement System

cc: Members, New York Stock Exchange Board
William H. Donaldson, Chairman U.S. Securities and Exchange Commission